

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5233S.05A
 Bill No.: SCS for HCS for HB 2474 with SA 1, SA 2 & SA 4
 Subject: Office of Administration; Contracts and Contractors; Political Subdivisions
 Type: Original
 Date: May 15, 2026

Bill Summary: This proposal creates new provisions relating to progressive design-build contracts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

*Oversight assumes the unknown cost could exceed the \$250,000 threshold annually.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

§34.046 – Progressive Design-Build Contracts

Officials from the **Office of Administration – Facilities Management, Design and Construction (OA-FMDC)** state this proposal is indeterminate. While initial costs may be similar to existing design-build methods, Progressive Design-Build introduces budget uncertainty because the Guaranteed Maximum Price (GMP) is negotiated after award. Additional administrative, legal, and procurement costs are expected due to new forms, processes, and oversight requirements. Estimated impact is zero to unknown, as actual costs will depend on project size, complexity, and negotiation outcomes. Additional administrative and legal costs could range from minimal to significant depending on project volume but remain unquantifiable at this time.

Purchasing - OA Purchasing's recommendation would be to change the language on the first sentence to: "...or a nonprofit entity, solely comprised of and controlled by one or more political subdivisions,..."

Purchasing - Currently, 34.046 RSMo allows for a direct contract with another governmental entity without competitively bidding. By adding the language "or nonprofit" in the first sentence of 34.046, this would allow for direct contracts with nonprofit entities without competitively bidding. This may cause some entities to reorganize as a nonprofit so the state can directly contract with them without a competitive bidding process. Lack of competition may drive up the cost of the product/service and have the perception of favoritism by bypassing the competitive bidding process with nonprofits.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the OA-FMDC.

§67.5060 – Progressive Design-Build Contracts and Projects

Officials from **Office of Administration – Facilities Management Design and Construction (FMDC)** assume an impact that is indeterminate. While initial costs may be similar to existing design-build methods, Progressive Design-Build introduces budget uncertainty because the Guaranteed Maximum Price (GMP) is negotiated after award. Additional administrative, legal, and procurement costs are expected due to new forms, processes, and oversight requirements. Estimated impact is zero to unknown, as actual costs will depend on project size, complexity, and negotiation outcomes. Additional administrative and legal costs could range from minimal to significant depending on project volume but remain unquantifiable at this time.

Officials from the **University of Central Missouri** assume the proposal will have an indeterminate fiscal impact.

Oversight assumes this proposal introduces the Progressive Design-Build method that allows for a two-stage qualification-based selection process between a political subdivision and a design-builder. Oversight assumes local political subdivisions and the FMDC could experience additional costs for administrative, legal, and procurement costs. Therefore, Oversight will reflect a \$0 or unknown cost to general revenue and local political subdivisions for this proposal. Oversight also assumes those costs could potentially exceed the \$250,000 threshold for this proposal.

Senate Amendment 1 (§67.5060) - Progressive Design-Build Contracts and Projects

Oversight notes this amendment changes the amount of any design-build project under contract with a political subdivision that is a noncivil work project in excess of \$7 million dollars to \$2.5 million dollars. Oversight assumes no fiscal impact from this amendment.

Senate Amendment 2 (§67.5060) - Progressive Design-Build Contracts and Projects

Oversight notes this amendment sets the provisions of progressive design-build projects to expire on August 28, 2036. Oversight assumes no fiscal impact from this amendment.

Senate Amendment 4 (§67.5060) - Progressive Design-Build Contracts and Projects

Oversight notes this amendment lists certain conditional requirements that a political subdivision using a progressive design-build contract does not have to include as a condition of eligibility. Oversight assumes no fiscal impact from this amendment.

Responses regarding the proposed legislation as a whole

Officials from the **Department of Economic Development** and the **Missouri Department of Transportation** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **University of Central Missouri** assume the proposal will have an indeterminate fiscal impact on their organization.

In response to a previous version, officials from the **Missouri National Guard, Department of Natural Resources, Missouri Department of Conservation, City of Kansas City, Wayne County PWS #2, and Northwest Missouri State University** each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties, school districts, colleges and universities and utility districts were requested to respond to this proposed legislation but did not. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Cost – OA (§§34.046 & 67.5060)</u> Additional administrative, legal and procurement costs needed p.3-4	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost – Cities, Counties and Colleges (§67.5060)</u> Additional administrative, legal, and procurement costs p.4	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>

FISCAL IMPACT – Small Business

Small businesses could be impacted by this proposal.

FISCAL DESCRIPTION

This act modifies provisions relating to public contracts.

Current law allows the Commissioner of Administration to contract directly with other governmental entities for the purchase of supplies. This act additionally allows the

Commissioner to participate in, sponsor, conduct or administer a cooperative purchasing agreement with a contract established by a nonprofit entity whose membership is exclusively made up of governmental entities and whose governing body is selected or elected exclusively by governmental entities, and where the contract was established in accordance with the laws and regulations applicable to the governmental entities. Such cooperative purchasing agreement shall be utilized for the purchase of supplies including but not limited to upkeep and maintenance of physical infrastructure. The Commissioner of Administration may permit any political subdivision to participate in any cooperative purchasing agreement.

Current law relating to design build projects provides that any noncivil works design build project must be in excess of \$7 million. This act lowers that threshold to \$5 million.

Current law provides procedures for how a political subdivision may enter into a contract for a design-build project. This act establishes procedures for political subdivisions to enter into progressive design-build contracts. A progressive design-build project is one in which the design, construction, alteration, addition, remodeling, or improvement of any buildings or facilities is under one, progressive contract with a political subdivision, including civil works projects, such as roads, streets, bridges, utilities, airport runways and taxiways, storm drainage and flood control projects, or transit projects and noncivil works projects, such as buildings, site improvements, and other structures, habitable or not, commonly designed by architects.

Progressive design-build projects are subject to many of the same requirements as are currently applicable to design-build projects except that it is a two-step process rather than a three-step process. Phase I consists of the solicitation and evaluation of qualifications of design-builders. Phase II consists of the solicitation and evaluation of proposals describing the design-builder's approach to design development, pre-construction services and construction of the project. The political subdivision shall have discretion to disqualify any design-builder who, in the political subdivision's opinion, lacks the minimum qualifications required to perform the work.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration – Facilities Management Design and Construction
University of Central Missouri
City of Kansas City
Wayne County PWSD #2
Missouri National Guard
Department of Economic Development
Department of Natural Resources
Missouri Department of Conservation
Missouri Department of Transportation
Northwest Missouri State University



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May 15, 2026



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